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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**AUGUST 19, 2013**

**10:00 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 10:03 a.m., Monday, August 19, 2013, in the Great Western Bank Conference Center, Second Floor, 1221 "N" Street.

The Board members were notified of this meeting by the Agenda posted on the PERB's SharePoint site on August 9, 2013. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 12, 2013. D. Blank chaired the meeting and V. Huber recorded the minutes.

**MEMBERS PRESENT:**

DENIS BLANK, CHAIR  
RICHARD WASSINGER, VICE-CHAIR  
ELAINE STUHR  
JANIS ELLIOTT  
STUART SIMPSON  
JEFF STATES, EX-OFFICIO

**MEMBERS ABSENT:**

JUDGE RANDALL REHMEIER  
RON ECKLUND  
DARRELL FISHER

**NONMEMBERS PRESENT:**

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	KATE ALLEN Retirement Committee Legal Counsel
MATT EFFKEN Legal Counsel	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	VICKI HUBER Administrative Secretary
FRED TURNER IT Manager	

**Agenda Item 1:** D. Blank stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the table by the door.

**Agenda Items 2 and 3 – Meeting Called to Order:** D. Blank called the August 19, 2013, Board Meeting to order at 10:03 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, S. Simpson, and J. States. Absent: R. Rehmeier, R. Ecklund, and D. Fisher.

**Excuse Board Members:** E. Stuhr moved to excuse R. Rehmeier, R. Ecklund, and D. Fisher. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 4 – Approval of Minutes:** J. Elliott moved for approval of the minutes of the July 15, 2013, Board Meeting and Retreat. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & July Retirement Report:** E. Stuhr moved to approve the budget status report and the July 2013 Retirement Report. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 6 – Public Comments or Correspondence from Citizens:** There were no public comments or correspondence from citizens with business not scheduled on the agenda.

**Agenda Item 7 – Information System Update:** F. Turner reported the count of open problem incident reports (PIRs) is averaging in the mid-30s. He stated this is a manageable number.

He stated his staff has been busy installing Microsoft Office 2010 within the agency and only a few staff members are left.

F. Turner reported the IT area is prepared for the move. He stated the new office is wired for internet and wireless access.

He reported the Office of the Chief Information Officer (OCIO) is still struggling with the issues of back-up and the file server. Back-up reports are looking good, so issues are improving. He reported the file servers would be moved to the 501 Building that week. He stated the OCIO is not going to charge NPERS for space until a formal transition is made.

P. Chambers complimented the IT staff for being proactive and beginning the move of the servers a year ago, which is making the transition go smoother.

J. Elliott moved to approve the Information System Update. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 8 – Rules and Regulations – Revise Chapters 4, 13, 14, 22, and 23:** M. Effken reviewed proposed revisions to Rules and Regulations, Chapters 4, 13, 14, 22, and 23. The Board received copies of the proposed revisions via the PERB SharePoint website prior to the meeting. M. Effken explained the purpose of the revisions.

M. Effken explained the proposed Rules and Regulations will be submitted to the Secretary of State, the Governor's Policy Research, and the Executive Council of the Legislature for

review. The Secretary of State posts the proposed Rules and Regulations on their website. He proposed notice of a 30-day public comment period be given and public hearings be held at the September PERB meeting. He explained after the PERB adopts the revisions at the public hearing, the Rules and Regulations are submitted to the Attorney General's office for approval and subsequently sent to the Governor for approval. The revisions take effect five days after the Governor signs them. The goal is to finalize all proposed chapters prior to the 2014 Legislative session.

On behalf of the Regulation and Policy Review Committee, J. Elliott moved to authorize NPERS to proceed with the approval process for the proposed Rules and Regulations, as presented. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 9 Investment Officer's Update:** J. States reported fiscal year to date performance for the defined benefits plans at 12.7%, as of June 30, 2013. He stated the fixed income and non-equity portfolio impacted the results. He commented Nebraska's performance ranks in the 29th quartile for investors.

J. States thanked J. Elliott for attending the Nebraska Investment Council's (NIC) Retreat. He reported several constituents were also in attendance. He highlighted discussions from their Retreat and stated Hewitt EnnisKnupp consultants continue to report a difficult capital market, which is expected to continue over the next ten years, with no expectation for strong momentum.

J. States reported the NIC relocated to the Assurity Building on July 29th and were the only tenant until the date of the meeting. He reported the OCIO did a great job setting up the telephones and computers quickly. He gave a brief report regarding issues they have faced with the move.

R. Wassinger moved to approve the Investment Officer's Update. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 10 – Director's Report:** P. Chambers reported NPERS has received approximately 775 School retirement applications with a June 1 effective date. Some are still in the process of being completed. Staff continues to work overtime in order to finish by the end of August in hopes to complete them within 90 days of the effective date. She explained work on the Rules and Regulations has pulled some staff away from their daily work on retirements. She complimented staff on their hard work. She reported 197 School retirement applications were received with a July 1 effective date.

She reported NPERS' has been allotted nine days to move. Staff will be moving in groups, with two days for each group. She briefly explained the schedule, which remains flexible. She noted members have been notified in many ways; via a recorded message on the telephone when members call in, on statements, flyers inserted with correspondence,

newsletters, signs, and the NPERS website. She commented that lots of recycling is being done as staff members pack.

P. Chambers has received a draft report from the new actuary on the replication of the previous actuary's valuations. The actuaries are planning to present the report at the September PERB meeting.

She reported talking to Kate Allen concerning the Retirement Committee's Legislative studies. K. Allen informed her, the studies probably will occur in November or December.

P. Chambers stated NPERS is organizing a meeting to discuss the Governmental Accounting Standards Board (GASB) changes. The meeting will be scheduled for the 15<sup>th</sup> or 22<sup>nd</sup> of October. She stated those affected by state financial reports will be included in the meeting.

P. Chambers provided a review of the Annual National Association of State Retirement Administrators (NASRA) Conference she attended August 3-7, 2013. She reported the US Census Bureau presented their report on retirements at the Director's Workshop. She noted in 2011 Nebraska had 3.2 active members for every 1 retiree in their system, which was the highest in the nation. She highlighted other topics of the conference which included: national trends affecting retirement, federal actions since the recession, workplace morale, the economic outlook, assumed rates of return, litigation, and municipal bankruptcies. She noted a Moody's report showed Nebraska's pension liability was 7% of \$2.4 billion in annual state revenue, the lowest of all state plans. The highest was Illinois with a liability of 241% of state revenue.

S. Simpson moved to approve the Director's Report. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 11 – Board Committee Reports:** There were no reports.

**Agenda Item 12 – Board Education/Travel Requests:** J. Elliott attended the Annual Trustee Workshop provided by the National Council on Teacher Retirement (NCTR) July 28-31, 2013. She participated in a panel discussion, representing Nebraska, which discussed the changing role of trustees during the economic downturn. She encouraged the Board to participate in similar educational growth opportunities.

She provided the Board with highlights of the week of topics, which surrounded around ESG risk factors; environmental, social, and government policy decisions in investment portfolios effecting decisions made. Presentations and discussions she attended included: a panel on divestments, pension changes across the nation, charter schools affecting change, discount rates, communication within the plan, and ideas for trustees.

She complimented how the PERB is educated by NPERS and the NIC. She commented that other state trustees do not seem to have similar knowledge of their retirement systems.



P. Chambers commented that she received feedback at the NASRA Conference indicating J. Elliott did an excellent job on the panel.

J. Elliott offered to share materials she received at the workshop. She added thoughts from another speaker, who stated when you have a retirement plan that is administered by board members with a vested interest in the plan, the administration of the plan is more solvent and the investment portfolios perform better.

**Agenda Item 13 – Future Meetings/Agendas:** The next meeting was previously scheduled to be held on Monday, September 16, 2013, in the Great Western Bank Conference Center at 1221 "N" Street. S. Simpson moved to change the meeting to Monday, September 23, 2013. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The September meeting will start at 9:30 a.m., with the Rules and Regulations public hearings to be scheduled first on the Agenda.

**Agenda Items 14 and 15 – Executive Session:** At 11:36 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Retirement Application for Retirement No. 137533, personnel matters, and other legal matters. J. Elliott seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 1:00 p.m., S. Simpson moved that the Board exit Executive Session and reconvene in Regular Session. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 137533. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Adjournment:** S. Simpson moved that the meeting adjourn. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 1:01 p.m.



Phyllis G. Chambers  
Director